

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

July 20, 2004

4:00 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Osborne, Shea, Thibault

Absent: Alderman Guinta

Messrs: T. Arnold, K. Buckley, K Clougherty, G. Beloin, S. Wickens,
M. Farron

Chairman Smith addressed Item 3 of the agenda:

Report from Solicitor's Office relative to State Statutes regarding fair debt collection practices and why the City cannot list the names of individuals who owe money to the City.

Alderman Osborne stated I just wanted to have the City Solicitor give us some discussion on this.

Tom Arnold, Deputy City Solicitor, stated I think the letter basically says it all. The Federal Fair Debt Collection Practices Act and the State Fair Debt Collection Practices Act say that you can't publish names.

Alderman Thibault stated one thing I'd like to ask Tom. I understand what you're saying and I believe in that, but the one thing that concerns me is these people come in and open up a business into the City, and then they come back a year later and we have already forgiven the debt that they had last year. Why can't we have a tracking system that if that gentleman comes back and applies for any permit that at point we can hit him for that again?

Mr. Arnold stated I think you can do that, it's a matter of setting it up.

Alderman Thibault asked who would set that up? Would Finance be setting that up Mr. Clougherty.

Kevin Clougherty, Finance Director, replied we can work with the departments, Alderman, to try and structure it. The issue as Sharon is saying is that not all of your departments for receivables are on HTE. They all have their own little subsystems, so we'd have to go back to each one and write up a procedure for them to feed in so that we have it centralized. But it's certainly doable and we can look at that.

Alderman Thibault stated the thing is I'm looking at how much money the City has lost every year through this and I've sat on this committee for a long time and it just seems to me that we should have a tracking system that if whoever comes back for a license of any kind, we can say we have something here for you.

Mr. Clougherty replied if they are all in the central system it's a piece of cake and that's not a problem, but the problem is you have a lot of your departments like the City Clerk and Tax don't choose to use the HTE modules, they've used their own and as a result it's harder to coordinate something like that.

Alderman Thibault asked why couldn't every system put theirs into the HTE system?

Mr. Clougherty stated we'd agree with that.

Alderman Thibault stated but there should be a centralized location where somebody can look at the numbers.

Alderman Shea stated I just wondered maybe what Alderman Thibault was talking about, maybe what we should do is sort of ask the Finance Department to come back to us at a later date to do that.

Mr. Clougherty responded that's what we'll do Alderman. We'll go back, we'll give you an inventory of who is on the system and give you kind of a landscape of how it works and we might be able to do some that are on the system really fast and others we'll have to bring on gradually, but we'll get back to you at the next meeting with a response to this.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to receive and file the report.

Chairman Smith addressed Item 4 of the agenda:

Communication from Kevin Buckley, Internal Audit Manager, submitting audit status updates and a listing of police vehicles purchased since 1996, which had been requested by Alderman Shea.

Mr. Buckley stated the FIRST Mortgage Covenants Report here, I checked the mortgage covenants and everything seems fine. They are doing a big overhaul of a lot of the exhibits and they're adding a lot more exhibit space. It's supposed to be done by August and at that point they will once again get all of the covenants requirements. Valley Street Cemetery Trust Funds, I'm working on rolling everything forward on an individual account basis, where before they were all accounted for as just one fund and that is taking quite a bit of time. I'm looking into a Department of Elderly Services checking account that I found over there and that report will be ready for you next month. That's about it for audit business.

Alderman Shea asked Kevin, the audit that you conducted with FIRST is a little bit convoluting when I read through it. I know that for the general understanding there was a general obligation bond that was given to FIRST, I believe it's on Page 2 of the audit, and the City would purchase the building proceeds from a \$2.3 million general obligation bond. And I think that some of the stipulations in that is that they were required by the year 2004 to have 75,000 square feet within that particular structure. Could you explain what arrangement they're making with, I believe it's with Historical Association to fill up 18,000 feet? I find it kind of difficult to follow along with that.

Mr. Buckley replied there was some argument all along of...if you look at the actual mortgage document, because the City holds a mortgage on that building with them. They've lent them money and they owe the mortgage on it and at certain dates they were supposed to have certain square footage filled. At one point when they were just looking to fill up the building, they talked to the Planning Director, we used to be part of the Building Department, it was before my time. And he agreed to let the Millyard Museum count toward that space, but they never changed the mortgage document but there was an agreement on the side and there are some letters that they attached to this back in that time, that the Millyard would count toward the requirement for this. Even without the Millyard Museum though, they still make the square footage requirement. They're a little late this year, it was supposed to be by July 1st it was supposed to be at 75,000 square feet, but because renovations were taking longer than they thought, they're going to be short until they open up the new part of the museum and then they are well past the 75,000.

Chairman Smith stated just a follow up. In other words, they met every requirement of the mortgage except the square footage. Is that correct?

Mr. Buckley answered right and they are just a little late on that because of things that were beyond their control. But they have made a good faith effort to meet all the guidelines.

On motion of Alderman Thibault, duly seconded by Alderman Shea, it was voted to receive and file the communication.

Chairman Smith addressed Item 5 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's Monthly Financial Statements for the twelve months ended June 30, 2004 for FY2004.

Mr. Beloin stated the expenditures on the reports that you have show that we had about \$1.6 million on the budget and that the revenues we had unrecognized at about \$1 million, so that this will add to the fund balance of \$600,000, but then having done more current records today, it looks like it is going to be \$400,000 to add to the fund balance.

Mr. Clougherty stated just to give some perspective on that. At this time of the year, at the close of the fiscal year, we go through the process of closing out the books and looking at the encumbrances and we have 60 days to take some revenues and apply those to the City under certain rules for generally accepted accounting principles. So these numbers do fluctuate and that's not unusual to see that happen. In fact, I think one of the Resolutions that you have on the Board tonight is to allow the Finance Officer to do certain closings and we do that every year and that's part of this process. If you were to look at last year at this time when we were closing the books, last year at this time our revenues were \$4 million short for fiscal year short, but on the other hand, our expenditures were \$4.1 million less than anticipated, so that offset. So you ended up on a budgetary basis last year at the end of the year with about \$94,000 in your fund balance, on a budgetary standpoint. That's not your gap basis or any of the accruals or anything, just comparing appropriations to expenditures and revenues. So what Guy is telling you tonight, at this point in time instead of being at \$94,000, for fiscal year 2004 we're at \$427,000. We close the year on a much more comfortable position. Last year as you recall, we were wondering are we going to have to take a look at some balances, we had to absorb certain things. So I think we're working towards a much better number for this year. So we feel comfortable that all the numbers that the Board used for the budget in terms of fund balance availability are going

to be realized. We're not going to be as close to the margin as we were in the prior fiscal year. Now these numbers will change because some encumbrances at the end of the year, a department can encumber funds for a particular contract for say \$100,000 to do X, well for various reasons some things that encumbrance comes in at \$75,000. So that \$25,000 will get rolled over. So a lot of that happens during this 60-day period. So until we're through that, you really don't have the final number, but certainly I think Guy will agree, we're in much better shape reporting here tonight than we were at this time last year. And we're optimistic that we'll be okay to meet the forecast for the budget for tax rate setting that we had talked about earlier in the year with the Board. That just gives you some perspective as to how these numbers all play out.

Alderman Shea asked Kevin or Guy, did our expenditures come in at \$1.6 [million] less than what we had anticipated? Is that what you said?

Mr. Clougherty answered the report that you have on your desk, it is \$1.6 [million], but since then, as we're going through this process, we've had some...relate to insurance. For example, there's some insurance payments that we've had to make since the end of the year, so now we're down to about \$1,439,000, but again that may go up, that may adjust in the next month.

Alderman Shea stated so from my understanding, let's assume for the sake of discussion it comes out at \$1.6 [million], so you take half of that for the rainy day fund and the other fund we can use wherever we may?

Mr. Clougherty answered it's not quite that simple, because we take a look at...within that are some of your health insurances and those are treated a little bit differently so we make sure that all those reserves are done first. So there's a procedure that we go through, but that's basically true.

Alderman Shea asked and the revenues if they were to come in again, around \$200,000 or \$300,000, that also is usable in terms of how we want to try to handle things for the budget and so forth?

Mr. Clougherty answered that all goes into that same number. What you do is you take and compare the revenues and the expenditures and then you net and that's your fund balance and that gets applied to those items.

Chairman Smith stated I have one question on Page 5, Civic Center parking. Was it because the budget was somewhat high at \$500,000? I notice it's a percentage I recognize at almost 42 percent.

Mr. Clougherty replied I think it's a combination of things, Alderman, but certainly we can go back and take a look at that and track that one line item for you and see what policy decisions the Board might have made with respect to fees, or we entered into that contract with the Center of NH for them to get some of those dollars. All of those things have an impact on that line, but we can do a summary for you and show you exactly what happened on that one.

Alderman Shea replied yes.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to receive and file the communication.

Chairman Smith addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School Dept. only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Ms. Wickens stated on the report only one thing I'd like to highlight. I think it was Alderman Smith that had asked me... there were some outstanding aggregation receivables and they are still out there, but the Health Department and there is another one and they've been collected and the one from SMG, the \$85,000, that's due to be collected in October.

Chairman Smith stated I think the other ones were Police and Verizon, I'm not quite sure.

Ms. Wickens stated those two are now gone. They are on this report but they have been paid since the report has come out.

Mr. Clougherty stated Verizon does theirs at the end of their fiscal year, so it's like a September or October entry and that will come over to our side, but I talked to Tim about that the other day and there shouldn't be any problem with that one. They should recover all of that.

On motion of Alderman Shea, duly seconded by Alderman Thibault, it was voted to receive and file the communication.

Chairman Smith addressed Item 7 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting the 4th quarter FY2004 write-off list for the Accounts Receivable module.

Alderman Thibault stated I guess it just speaks to what I just said a few minutes ago that Finance will get together somehow and try to figure this out.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to receive and file the communication.

Ms. Wickens stated someone from the Airport is here to talk about their outstanding receivables as well. You had asked that one department a month come in and the Airport is here to talk about their 90-day aging.

Michael Farron, Assistant Airport Director for Finance and Administration, stated I volunteered with Sharon to come over and talk to you about our aging report. It runs from Page 25 to 30 on your report dated July 14th and I'm sure when you look at it it is somewhat daunting to you, some of the numbers on there. I've prepared a 1-page summary for you that will kind of put that perspective for you if you would like to have that. Again, I'm starting with your report dated July 14th and on Page 30 it shows the outstanding amount of \$1,365,481. Can you follow that? And to put it in perspective, the largest single component of that \$1.3 million is the federal grants component, which amounts to \$1,243,076. And I thought I would talk generally about that because that's the largest single component of our 90-day aging. Typically with federal grants, and we've had over 50 now from the Federal Government since the Airport started receiving these Airport Improvement Program Grants, it takes anywhere from 1 to 3 to 4 years to close out a grant. Most of these numbers that you're seeing there are the final component of a particular grant. So it takes a long time but we do get it all and I wanted to reassure you that those monies do come in, I'm sure that Kevin would say the same thing, that we get our full compliment of the federal grants.

Mr. Clougherty stated this is unique to Airport. They've got a big program going on down there as you know, and it's got many components and they may get 95 percent of the grant done soon, but then all the other little things that may be tied up in litigation or tied up in the details of completion, just drag out the projects and the Feds won't pay you until you get every single thing done and that just takes us some time. So that's not unusual.

Mr. Farron stated another aspect of that is we front all the monies for these projects and we get paid in arrears from the Federal Government. So we're fronting all of the money for all of these projects and then we get it back in arrears. The second component is the airline component and that's about \$83,000. That number used to be a lot larger because it involved the airline bankruptcy. US Airways and all the subsidiary carriers were in bankruptcy. They've come out; United and Air Canada are in bankruptcy. That number has come down quite a bit. We've received everything that US Airways said they were going to pay us and that amounted to about \$280,000. So the subtotal of \$83,000, we're waiting finalization from the bankruptcy court as to how much we can expect. We expect we'll probably get \$.10 to \$.15 cents on the dollar on most of those, which is not a bad deal in the end.

Mr. Clougherty stated it's the nature of the airline industry today. I'm sure that everybody is aware that the Federal Government asking for relief and assistance continually and as Mike said that number fluctuates. You may see some other airlines come into some problems depending on what happens. 9/11 had a big piece to do with that initially and so the number has come down, but that's not to say that it might not change as the airline industry continues to experience some difficulties.

Mr. Farron stated so with those two components, the Federal grant and the airline component, we're talking a little less than \$40,000 remaining as 90-day aging. And I've listed those for the most part. AVEX and L&M Vending and these others that are listed are concessionaires or just some of them. I have an update since the 14th of July. AVEX is leaving the Airport; they are being replaced by someone else. We are withholding paying of our bills to them until all of these bills are settled. The L&M Vending amount has now been paid post the 14th of July. Thrifty Rental Car, that's a \$10,000 number, the franchise was sold and a new franchisee has taken over the enterprise. The bill pertains to the old owner. We have been actively working...David Bush is the assistant director for properties and contract management is working directly with them and we do expect to receive the full amount. Verizon, that bill has now been paid. Hudson News, these are the folks that operate our news and gift shop. During the course of one of our own internal audits, we discovered this number and it's being resolved as we speak right now. HMSHost operates the Pizza Hut portion and the deli portion of the food court. That was a duplicate billing, so there's no amount owed in that amount either. The ServiceMaster all but \$500.00 has now been paid. Even assuming that none of that had been taken care of, we're in fairly decent shape. The only remaining component is \$3,860.00. This involves numerous miscellaneous customers who owe us for fingerprinting and badging and those kinds of things and we track that all of time. My message today was just

to show you there' a large amount of this 90-day aging that is well out of our internal controls and with the Federal grant and the airlines.

Alderman Thibault asked all of this is all into Airport funds and doesn't affect the City budget at all?

Mr. Farron answered it never impacts the City budget. We pay our own bills and we receive our own money.

Alderman Shea stated as one committee member and I'm sure I express it for some others, we appreciate your presentation. It clarifies a lot of problems on our part. Thank you for taking the time.

Mr. Farron replied I'm glad to do it. I'm here most every meeting and I would be happy to answer any questions.

Chairman Smith stated this is very simple and concise and it's very easy to understand and I want to thank you for your presentation.

Chairman Smith addressed Item 8 of the agenda:

Report of the Committee on CIP recommending that a policy for Fleet Management/Motorized Equipment be approved.

On motion of Alderman Shea, duly seconded by Alderman Osborne, it was voted to accept the report and refer it to the full Board.

There being no further business to come before the committee, on motion of Alderman Thibault, duly seconded by Alderman Shea, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee